

ENERGY REGULATORY COMMISSION

R E S O L U T I O N N o . 55 A

Dated July 31, 2002
Yerevan

**ON ISSUING A LICENSE TO “DZORA HPP” CLOSED JOINT STOCK
COMPANY FOR GENERATION OF ELECTRIC ENERGY AT DZORA HPP**

Being guided by Item “b” of Article 17, Articles 23 and 24 of the RoA Energy Law and the Procedure defined by the ERC Resolution No. 4, dated January 30, 2002 , the Energy Regulatory Commission of the Republic of Armenia **resolves**:

1. To approve the application submitted by “Dzora HPP” CJSC and issue a License for generation of electric energy at Dzora HPP located on the administrative area of Dzoragetavan village of the RoA Lori Marz, for the operation period of 15 years.
2. To approve the terms and conditions of the License (see attached) issued to “Dzora HPP” CJSC for generation of electric energy at Dzora HPP.
3. This Resolution comes into effect from the moment of its signing.

V. Movsesyan,
Chairman of the ERC

TERMS AND CONDITIONS

OF LICENSED OPERATIONS ON GENERATION OF ELECTRIC ENERGY (CAPACITY) BY “DZORA HPP” CJSC

1. Definitions

The main definitions used in this License have the following meanings:

Commission - the RoA Energy Regulatory Commission acting in the Energy Sector as a regulatory body within the framework of its authorities vested upon by the Energy Law of the Republic of Armenia.

License – a document issued by the Commission to a legal entity, which confirms the right of the Licensee to perform certain operations in the Energy Sector, according to the established terms.

Licensee – a legal entity issued the generation license for generation of electric energy (capacity), according to the RoA Energy Law

Central Dispatch Service (CDS) – a legal entity that has been issued the Central Dispatch Service operation License

Consumer - a physical person or legal entity, or the organization that does not have the status of a legal entity, which has a demand in electric energy (capacity), natural gas, and/or thermal energy, and has executed an energy supply contract with the Licensee

Transmission Company – a legal entity that has been issued the electric energy (capacity) transmission License

Distribution Company – a legal entity that has been issued the electric energy (capacity) distribution License

Generator – a legal entity that has been issued the electric energy (capacity) generation License

Exporter – a legal entity that has been issued the License for exporting electric energy (capacity) from Armenia

Effective date – the date of registration of the License by the Commission

Market Rules - a fundamental document, approved by the Commission, setting procedures for the relationships between the Licensees operating in the electric energy sector and the general rules and standards related to the reliability and safety of the system, as well as the necessary instruments for maintenance of normal operation of the market

Force Majeure - - irresistible situations caused by emergency situations or unavoidable events that are beyond the reasonable control of, and without the fault or negligence of, the Licensee (natural disasters, war actions, emergencies in the energy resources supply systems (water, fuel), restrictions defined by the RoA Legislation); to the extent such situation prevents or delays performance of licensed operations or compliance with some terms of the License.

2. Effective Period of the License

- 2.1. This License shall be effective from the moment of its registration by the Commission.
- 2.2. This License has been issued for the period of 15 years.

3. Service Area of the Licensed Operations

- 3.1. This License empowers the “Dzora HPP” CJSC to perform licensed activities on generation of electric energy at the area authorized to it and in established procedures.

4. Energy Installations for the Implementation of Licensed Operations

- 4.1 The Licensee that has been issued this License shall perform its licensed operations by means of the main energy installations specified in Attachment No. 1 of this License, which have installed capacity of 26500 kW:

5. Description of the Licensed Operation

- 5.1. From the effective date of the License the Licensee shall be authorized to perform generation, transformation, delivery (sale) of electric energy and operation of energy installations required for the implementation of such functions, in compliance with the License conditions.
- 5.2. The Licensee has no right to abandon, yield or transfer the rights and (or) obligations bestowed by this License to any other entity without obtaining consent

of the Commission and introducing corresponding amendments and (or) supplements to the License:

6. Terms of the Licensed Operations

- 6.1. The operations of the Licensee should comply with the requirements of this License, the legal acts established by the Commission, the RoA Legislation and other legal acts.
- 6.2. The Licensee shall implement its operations in accordance with the economic efficiency principles, standards, technical safety norms and reliability criteria, providing the indicators defined by the delivery (generation) quotas of electric energy (capacity).
- 6.3. The Licensee should not hinder or attempt to hinder the activities of other Licensees – the Generator or Importer (Exporter)- or their competitiveness within the given sphere of activities.
- 6.4. During the implementation of its activities the Licensee is responsible to ensure the security of people and safety of assets in conformance with the RoA Legislation.
- 6.5. The Licensee cannot become a Shareholder of 25 % and more shares of another Licensee or merge with any other Licensee without the permission of the Commission.
- 6.6. The Shareholder possessing 25 % and more of the Charter Capital of the Licensee has no right to purchase 25 % and more of shares or stocks of the same or any other Licensee or have share participation , as well as sell 25 % and more of shares
- 6.7. The energy supply (sale/purchase) contracts executed with the Licensee or other Licensees, as well as with the Consumers shall comply with the model forms of contracts defined by the Commission.
- 6.8. The energy supply (sale/purchase) contracts executed between the Licensee and the entities implementing licensed activities in the Energy Sector are subject to registration with the Commission.
- 6.9. For the purposes of sale of the fixed assets required for the implementation of the licensed activities (buildings, constructions, generating capacities, operating energy installations and lines) or for the purpose of transfer of title in any other manner the Licensee shall address to the Commission for its approval.

- 6.10. The Licensee shall submit to the Commission the information and reports in forms and procedures established by the Commission, including the following reports:
- on bank accounts
 - on audits conducted by technical oversight agencies and on results of that audits
 - on activities accomplished during the previous settlement period
 - on forecast of technical-economic indicators for the next settlement period
 - on short-term and long-term loan programs
 - on long-term and short-term programs on technical reconstruction, rehabilitation and modernization and on the financial investments targeted the implementation of such programs.

The introduced financial-economic programs must be justified by the corresponding settlements and be agreed with the Commission.

- 6.11. The accounting and statements of the Licensee should comply with the accounting requirements of the Republic of Armenia.
- 6.12. The accounting and statements of the licensed operations must be separated from the accounting and statements of any other kind of operations performed by the Licensee.
- 6.13. Each year, before April 30, the Licensee should publish in the national printed press the financial-economic statement of the previous year activities, in forms approved by the Commission. The published statements should not contain State or business secrets.
- 6.14. Upon the Commission requirement the Licensee is obligated to conduct an audit of its financial-economic activities.
- 6.15. In procedures defined by the RoA Legislation, the Licensee shall be held responsible for the accuracy of statements and information submitted to the Commission.
- 6.16. The Commission shall set the energy (capacity) tariffs, in procedures defined by Law.
- 6.17. During the effective period of the License, the Licensee can submit an application on revision of the effective tariffs at its own initiative and in forms and procedures established by the Commission.
- 6.18. The Commission can review the effective tariffs at its initiative and in established procedures.

- 6.19 The Licensee shall implement the operation-related costs according to the corresponding articles (components) of costs included into the tariff structure, and providing reliability and safety of the operation. If it is necessary to change the structure of costs, the Licensee shall apply to the Commission beforehand and introduce the corresponding justifications.
- 6.20 The Commission shall consider only those costs in the tariff structure, which are justified and are necessary for the performance of licensed activities.
- 6.21 To revise the License and approved quotas (to remain their effectiveness), the Licensee is obligated to submit to the Commission and the Central Dispatch Service the following information in written:
- at least 6 months prior, the notification of his intention to reduce the quoted generation of electric energy (capacity) for the given year;
 - at least 9 months prior to the beginning of the calendar year, the notification of his intention to reduce the volumes of generation of electric energy (capacity) for the next year;
 - immediately, the notification of unscheduled circumstances that caused (cause) restrictions in the generation of electric energy (capacity).
- 6.22. The Licensee must follow the operative instructions and orders of the Central Dispatch Service of the National Electric Network, according to the effective procedures and provisions of the contract executed with the CDS.
- 6.23. The Licensee must immediately inform the Commission about such circumstances that have resulted in or may lead to any violation of the License provisions.

7. Oversight of the Licensed Operations

- 7.1. The Commission shall oversight the Licensee's compliance with the provisions of this License in accordance with procedures set by the Commission.
- 7.2. In order to ensure compliance with the License provisions, the Commission and its authorized representatives shall have the right of free access to the premises of the Licensee.
- 7.3. In the course of such inspections, the Licensee shall fully cooperate with and render assistance to the Commission and its authorized representatives.
- 7.4. At the Licensee premises the authorized representatives of the Commission shall comply with the internal procedures of the Licensee, safety and fire-fighting rules, as well as with the norms set forth by the RoA Legislation.

8. Penalties, Suspension and Revocation of the License

- 8.1. The supervision of the License provisions shall be overseen by the RoA Energy Regulatory Commission in cooperation with the other State authorized bodies.
- 8.2. In case of non-compliance with, inadequate compliance with or violation of the License requirements, the Commission, being guided by Article 42 of the RoA Energy Law, is authorized to impose the following penalties:
 - a) warning and assignments to eliminate the non-compliance
 - b) tariffs reduction
 - c) suspension of the License
 - d) revocation of the License

The procedures for enforcement of the above penalties are determined by the Commission.

- 8.3. In the event of License revocation, the Commission and the Licensee shall be guided by Article 52 of the Energy Law and the RoA Legislation.
- 8.4. The License may be terminated at the initiative of the Licensee on the basis of a notice in writing. Being guided by Article 52 of the RoA Energy Law and according to the License provisions, the Licensee shall continue the licensed operation until the issuance of a corresponding decision by the ERC on termination or revocation of the License.
- 8.5. The Licensee shall not be liable under item 8.2 of this License if license violations were caused by Force Majeure circumstances.

9. Amendments to the Terms and Conditions of the License

- 9.1. The amendments to the License can be performed in procedures defined by Law, at the initiative of the Commission or the Licensee.
- 9.2. In case of changes in the legal or organizational status of the Licensee, the latter shall immediately submit an application to the Commission on re-registration of the License or on introducing amendments and supplements to or on issuance of a new License.
- 9.3. Within 5 days the Licensee shall notify the Commission about any changes in its legal address, foundation documents and bank accounts.

10. Other Provisions

- 10.1. In case of any changes of Shareholders (Founders) of the Licensee, the Licensee must apply to the Commission for approval of corresponding amendments and supplements to the License.
- 10.2. During the emergency situations, as well as in the events when energy supply of the customer or the delivery of electric energy (capacity) to the National Grid in amounts defined by quotas and contracts was completely or partially terminated, the License is obligated to undertake all necessary actions to restore the electricity supply in the shortest possible time.
- 10.3. The Licensee must render assistance to the entity issued the Central Dispatch Service License in procurement of protection devices, regulators ensuring the reliability and safety of the National Electric Network, and in compliance with the procedures established by the Legislation and other legal acts to ensure the operation of such devices, to carry out their repair, substitution and other necessary works, as well as to assist in purchasing of protection devices and regulators being under its control but owned by other Licensees.

11. Notification

- 11.1. All official notifications, applications (petitions), claims or other correspondence associated with this License shall be in writing and be delivered via messenger or registered mail. All notices or other correspondence shall be considered effective only upon actual delivery or receipt, or, if the notice did not reach the addressee due to the addressee's fault, upon the moment of presenting.